

Global Dynamic Systems Centre

WORKING PAPERS

The New Global Crisis Makers: Economic Intervention and the Loss of Strategic Leadership

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WORKING PAPER NO. 9

February 2009

ISSN: 1442 8636

ISBN: 978 1 921262 82 1

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Abstract

The “crisis exaggerators” are telling us that current economic conditions amount to an “unprecedented” global economic recession. This is historically incorrect. What is unprecedented is the degree to which economic commentators and political leaders are talking up economic downturn. What is their agenda? Could it be an attempt to prepare the way for an “unprecedented” degree of government intervention in the economy? The “new interventionists” – some of whom, like Kevin Rudd, are now calling themselves “social democrats” – have attacked neoliberalism – the prevailing philosophy of Western governments over the past three decades – for failing to provide the direction and regulation needed to prevent the emergence of global financial crisis. But this misses the real point. Neoliberal governments have in fact been dangerously interventionist. Owing to the inflation-targeting policies they have championed, the dynamic mechanism of modern society has been disrupted, economic growth has slowed dramatically, and unemployment has risen – just as I warned in *The Global Crisis Makers* in 2000. The new global crisis makers are these new interventionists, who, ironically, not only accept neoliberal policies of inflation targeting but also intend to launch massive Keynesian and climate-mitigation programmes of intervention that will throw our strategic life-system into a downward spiral from which we will recover only with great difficulty and cost. Modern governments have lost the age-old art of strategic leadership, which once facilitated the effective operation of humanity’s dynamic life-system.

Keywords: global crisis, neoliberalism, social democracy, strategic leadership, economic intervention.

JEL codes: O11, O47, O56, E31, E32, E42, E50, E60.

From many public sources we are being told that the current economic conditions constitute an “unprecedented” global economic recession. Economic commentators, financial experts, market consultants, public officials, and politicians are all predicting the direst gloom and doom. And of course the media are revelling in the sensationalism of it all. These public sources are the “crisis exaggerators”. What is unprecedented about the current global outcome of financial mismanagement and excess is the breathlessness with which the crisis exaggerators are trying to beat-up the *possibility* of global economic disaster. Nothing catastrophic has or will happen, but the sideshow crystal-ball gazers are continually telling us that disaster lies just ahead. What could be their objective? Could it be that these crisis exaggerators are using the very fear they are generating to facilitate their hidden agenda of making “unprecedented” interventions into the global economy? Is this, one is led to wonder, just a rehearsal for the truly massive intervention that will be required for the forthcoming major programme of climate mitigation? What will the future hold in a world dominated by these new interventionists?

The purpose of this paper is to examine the interventionist intentions of these crisis exaggerators and to show how this constitutes a derailing of the traditional role of strategic leadership. That traditional role involves facilitating the requirements of the dynamic strategists through the provision of appropriate infrastructure that is beyond the financial resources and self-interest of individuals and corporations, the negotiation of political and economic deals with other societies, protection of the dynamic strategy at home and abroad, encouragement of the emergence of new strategies during recessions and depressions, and provision of basic facilities for education, training, and research needed to nourish the modern technological strategy. It is an enabling role rather than the controlling, directing, and even coercive role advocated by the “new interventionists”. I will also show how these new interventionists relate to the neoliberal policy makers – the old global crisis makers who helped to create the current global economic problems.

Varying perceptions of leadership

Perceptions of economic leadership are usually thought of as forming a spectrum of approaches, with minimal intervention at one end and maximal intervention at the other. Unworkable ideas such as anarchy at one extreme and divine rule at the other can be dispensed with. At one end of the workable (at least in the short term) spectrum are the various conceptions of “neoliberalism” and at the other various conceptions of “socialism”. Social democrats like to think of themselves as holding the central position.

The neoliberal position is based on the desire of wealthy individuals and big business to minimise government interference in their determined pursuit of material prosperity. It is a position supported by neoclassical economics, which advocates freely operating markets and, hence, small government along the lines proposed by Adam Smith, Friedrich von Hayek, and, more recently, James Buchanan, Gordon Tulloch, and Mancur Olsen. What is not clearly understood, however, is that recent governments advocating a neoliberal philosophy are neither non-interventionist nor even practitioners of small government. Indeed, all so-called neoliberal governments throughout the developed world are actually dangerously interventionist in practice.

This intervention takes the form of inflation targeting that strikes at the core dynamic mechanism in human society.

The “socialist” position is based on the desire of less wealthy individuals, together with their union organizations and middle-class supporters, to restrain the activities of the rich in order to redistribute GDP in their favour. It is a position supported by Keynesian and Marxist economics, which favours varying degrees of intervention in markets to achieve outcomes such as economic stabilisation and the transformation of “capitalism”. The “socialist” position is also supported by the relatively new Green movement, which contains many who once would have adopted a Marxist stance. Ironically, these socialist groups have also embraced the dangerous policy of inflation targeting.

The purpose of this brief characterisation is not to paint a detailed picture of the contemporary scene, but rather to suggest that the various perceptions of the role of political leadership are based on sectional interests, which have subsequently been rationalised by various forms of economics. Because of this sectional/ideological approach, modern society has lost sight of the reason for the emergence and persistence of government – leadership of the national strategic pursuit. Interestingly despite their sectional approach, they all share the flawed policy prescription of neoclassical economics involving major intervention in the form of inflation targeting, which undermines the dynamic life-system and applies a brake to economic growth.

The global crisis makers

Both national and global society is constantly under threat from ideologies found at either end of the leadership spectrum. The reason is that politicians have forgotten the essential role of strategic leadership, which is discussed later in the paper. In *The Global Crisis Makers* (Snooks 2000: 82–86) I called this the “fatal forgetfulness”, and showed how it is the outcome of the declining material rewards of political office. During the course of the twentieth century, groups from either end of the leadership spectrum decided that instead of facilitating the strategic pursuit in the interests of all strategists – as all successful societies had done in the past – they would adopt and pursue sectional interest ideologies. For the first three quarters of the twentieth century the “socialist” perspective prevailed throughout much of the world, whereas in the last quarter the neoliberal perspective held sway. Both groups have been fanatically supported by their associated ideologues. From what has occurred on the political global stage over the past year, it would appear that a swing back to the “socialist” camp over the next generation is highly probable. What all these styles of leadership have in common, is that they are prepared to intervene dangerously in the operation of the dynamic life-system. The danger of intervention lies in the nature, rather than the extent, of the interference.

Socialist intervention

The first three-quarters of the twentieth century witnessed the great experiment in “socialist” intervention. The most striking case was the establishment of a communist system in the USSR in 1917. In part this was an outcome of the metaphysical economic and political ideas of Marx and Lenin and in part the attempt by Stalin to develop an alternative societal system to that of “capitalism”. The Stalin model

became an example followed by a number of (what were then called) Third World nations, such as China, Vietnam, Eastern Europe, and Cuba. The essential characteristic of the Stalin command system was its antistrategic nature. Basically the USSR attempted to suppress the dynamic strategists and to redirect the surpluses of Russia and its satellites from strategic to antistrategic ends – from materially driven individual activity to ideologically driven command activity. In the process the market nature of modern society was replaced by centrally determined decision-making.

In other words, the old dynamic life-system of Russia was replaced by an artificial system in which all economic, political, and social decisions were made by a highly centralised and ideologically driven bureaucracy. This was an immense challenge to Russian bureaucratic ingenuity, which could only be met at great cost in terms of the loss of individual freedom, suppressed living standards, and the starvation of millions of Russians during the 1930s – a tragedy that China repeated in the 1950s and 1960s. By suppressing living standards, the USSR was able to achieve impressive military power and narrowly defined scientific progress. But in the absence of a self-starting and self-sustaining dynamic system, the Soviets were only able to achieve this unbalanced and precarious development by closely imitating the technological, educational, scientific, and research advances made in the West through their free market economy. Without a freely operating life-system to allocate resources and distribute income, the USSR ran into severe difficulties when they began to approach the West's level of technological achievement. Where were they to go in the future? The USSR had no strategic system to answer this question. In effect, the antistrategic command system of the USSR just ground to a halt after three generations of superhuman effort on the part of the long-suffering Russian people. At the end of the 1980s, therefore, Russians were forced to face the extremely difficult task of rebuilding their strategic life-system from scratch. This is an extreme example of the havoc and crisis that economic intervention of the “socialist” kind can inflict on humanity.

The West was not immune from “socialist” interventionism, albeit of a more moderate kind, following the long years of war, depression, and war again in the first half of the twentieth century. Many Western countries flirted with interventionist policies, which were demanded by the working classes and made respectable by the economics of John Maynard Keynes through the publication in 1936 of his famous *General Theory of Employment, Interest and Money*. This led to the emergence of Labour or Social Democrat governments in Western European nations determined to shift the distribution of GDP more in favour of the “working” classes through direct government intervention. It is generally agreed that his experiment, while appearing to achieve some of its ideological objectives, impacted negatively on economic growth and, hence, living standards.

Indeed, I would suggest that the unfolding technological strategy in the West, driven by its freely operating strategic life-system, would have achieved the redistribution of income sought by the “socialists”, but at a higher standard of living than was actually achieved owing to the large economic costs of intervention. The great problem with economic intervention is that it damages the mechanism of the dynamic life-system and impacts negatively on living standards. While not as devastatingly costly as the imposition of the Stalin command system in Russia or the chaotic Maoist system in China, the interventionist experiments of the West were,

nevertheless, still very costly. The bottom line is that the costs of intervention are always high and the benefits negligible.

Neoliberal intervention

There is a considerable difference between the rhetoric and practice of neoliberalism. The theory argues for the primacy of freely operating markets and a restricted role (limited to the protection of individuals, property rights, and contracts) for government. In practice, self-proclaimed neoliberal administrations do intervene in the operation of markets. What they do not do is provide strategic leadership of the kind practiced for thousands of years prior to the twentieth century. These administrations abandoned the role of national strategic leadership in favour of sectional leadership and economy manipulation. As we shall see, neoliberal governments have become the global crisis makers of our time, by virtue not of the extent of their interventions but of its critical nature.

Neoliberal intervention in the last quarter of the twentieth century and early years of the twenty-first century has played a major role in distorting market forces owing to its negative impact on the underlying dynamic life-system. The outcome predicted by my dynamic-strategy theory has come to pass in the form of the global slowdown of 2008-09. As mentioned earlier, that intervention has taken the form of inflation targeting. In the mid 1990s I showed that there are two forms of inflation – strategic or “good” inflation, and nonstrategic or “bad” inflation – and that strategic inflation plays a central role in the core strategic demand-response mechanism (Snooks 1997; 1998b; 2008c). While it is sensible to control “bad” inflation – the product of unwise monetary and fiscal policy, monopoly activity, and external shocks such as a global oil price hike – the persistent attempt to eliminate “good” inflation merely leads to the disruption of society’s core dynamic mechanism, which in turn forces economic growth to slow, stagnate, and even become negative.

This predicted scenario actually happened in 2008-09 following a couple of decades of systematic inflation targeting imposed by governments throughout the developed world and by the IMF and World Bank throughout the developing world. These same governments, however, have failed to learn this obvious lesson. They are now blaming the global slowdown on the problems being experienced in the financial sector, which they claim are the outcome of neoliberal policies of deregulation. More recently, I also suggested (Snooks 2008d) that once economic growth had been disrupted, governments would temporarily abandon inflation targeting for excessively expansionary monetary and fiscal policies. This over reaction will merely generate more “bad” inflation, which in turn will lead to a further round of inflation targeting and growth inhibition. Here we have a vicious cycle generated by interventionist policy makers, who once thought of themselves as being neoliberals.

In Australia, for example, Kevin Rudd leader of the Labor Party, went to the national elections in late 2007 claiming to be an “economic conservative” committed to continuing the monetary policies of the Reserve Bank of Australia that had been pursued under all governments over the previous couple of decades. Once in power, Rudd and his Treasurer, Wayne Swan, claimed to be waging a “war on inflation” in the neoliberal manner (Snooks 2008c). But suddenly in early 2009 there was a blinding transformation: the “war on inflation” was replaced with a “war on

unemployment”, even though Australia was still operating at a near full-employment level (4.4%). Personally the Prime Minister had experienced a road-to-Damascus conversion. The self-declared “economic conservative” magically became a “social democrat” determined to launch a massive Keynesian spending programme. Spending not on the infrastructure of the future (namely science and technology) but on the consumption of the present. This brings us to the new interventionists.

The new interventionists

The new interventionism is a direct response to the crystal-ball gazing of the crisis exaggerators. And it is a response that has been quickly rationalised in some quarters as the outcome of the philosophy of social democracy. The new interventionists – or born-again social democrats – have little or no understanding of the dynamic life-system that they are determined to reform. They have no general dynamic theory and, therefore, are confused about the relationship between the financial sector (particularly the stock market or economic “casino”) and the real economy. Yet despite this lack of understanding they believe, in the words of Kevin Rudd (2009: 29), that they can “save the system of open markets from self destruction” and that they are capable of “building a fairer and more resilient order for the long term”. To do this they intend to intervene on a large scale in the economy through flawed Keynesian fiscal policies. For example the Obama administration has been given congressional approval to spend US \$787 billion (Aust \$1.2 trillion), and the Rudd government intends to spend Aust \$42 billion on ephemeral consumption. In addition, the Obama administration is intervening massively in the US financial and motor vehicle industries and the Rudd government is doing the same in the Australian financial and construction industries.

The intellectual support invoked by these big spending administrations is the theory developed by John Maynard Keynes in the depths of the Great Depression. Recently we were told that “social democrats will draw in part on a long-standing Keynesian tradition” by “maintaining aggregate demand” (Rudd 2009: 25, 26). And this approach has been promoted to the public by the Australian prime minister Kevin Rudd with the slogan: “all hands to the pump”! A major problem with this theoretical justification of big spending programmes is that Keynesian theory is virtually defunct. The demise of Keynesian analysis – a tradition that has been on its knees rather than its feet – after the 1960s was a result of its inadequate static nature. In *Global Crisis Makers* (Snooks 2000: 126–30) I posed the question: “Is Keynesianism dead?”, and answered it in the affirmative. But, as we shall see, old theories never die, they are just endlessly recycled!

While claiming to provide a *general* theory, Keynesianism is unable to handle real-world societies, because it is not a general *dynamic* theory. Aggregate demand is not a workable concept unless it can be placed in a dynamic theoretical framework. In practice, Keynesian expenditures are unable to kick-start an economy suffering from strategic exhaustion, which is the real cause of depression. At best they can only stimulate a depressed economy for as long as the fiscal tap is left running. Once the tap runs dry – once the fiscal expenditures cease – as it must do in a depressed economy owing to the failure of tax revenue, the economy will turn down once more. This is what happened in the USA in the late 1930s following the failure of the “New Deal” (Snooks 2000: 42–3, 128–29; 2008d). Only expenditures on long-term strategic

investment will generate sustained recovery. This only occurred in the US with the strategic Marshall Plan, which, together with the preceding war, enabled that country to develop a new dynamic strategy to replace the old one that had exhausted itself in the mid-1920s, thereby leading to the Great Depression of the 1930s (Snooks 1997: 386–88; 2008). Of course, if the economy today is not suffering from strategic exhaustion, current massive expenditures will generate nonstrategic (“bad”) inflation, not economic recovery. And they will use up surpluses that could have been invested in strategic infrastructure. Economic “experts” have a lot to answer for.

The lack of understanding of the dynamic life-system by the new interventionists is reflected in their analysis of the economy, both past and present. In particular, they claim a central role in the economy for the financial sector. This can be seen in their misreading of economic history as well as of current circumstances. For example, the new interventionists claim that the crash on Wall Street in 1929 led to the down turn of the real economy and, hence, to the Great Depression. We are told:

When the stock-market bubble burst in 1929, it took commercial banks with it, causing a devastating chain reaction which affected the entire economy for a decade. (Rudd 2009: 23)

As argued above, the Great Depression in the USA was an outcome of the exhaustion in the mid-twenties of a dynamic strategy (workshop to the US mega-market) that had driven growth since the Civil War, and it was the resulting flow of funds from productive to speculative activity that fuelled the boom and crash on Wall Street. Recovery was delayed until the USA had developed a new dynamic strategy (as workshop to the world), which did not occur in peace-time conditions until after the mid-1940s (Snooks 1997: 388–90). Hence, the financial crisis was an outcome of strategic exhaustion in the real economy, not the other way around.

In attempting to explain the current economic difficulties, the new interventionists draw a parallel between their flawed interpretation of the Great Depression and the situation today. We are told that:

In the space of just 18 months this [the global financial] crisis has become one of the greatest assaults on global economic stability to have occurred in three quarters of a century...*This is a crisis which has become a general economic crisis*; which is becoming an employment crisis; and which has in many countries produced a social crisis and in turn a political crisis. (Rudd 2009: 20)

The reason, we are told, that financial crises, which generate downturns in the real economy, emerge from time to time is the existence of unchecked corporate greed permitted by a prevailing neoliberal attitude. The new interventionists point to the “staggering” bonuses paid to corporate executives as evidence of “greed of epic proportions” and conclude that the “current economic crisis is the culmination of a 30 year domination of economic policy by a free-market ideology that has been variously called neo-liberalism, economic liberalism, economic fundamentalism, Thatcherism, or the Washington Consensus” (Rudd 2009: 22). The neoliberal viewpoint, they claim, is “little more than personal greed dressed up as economic philosophy” (Rudd 2009: 25).

Further, the new interventionists reject the idea that freely operating markets allow the most effective operation of Adam Smith's "invisible hand" or Hayek's "spontaneous order", and they approvingly quote Joseph Stiglitz as saying that "the reason that the invisible hand often seems invisible is that it is not there" (Rudd 2009: 27). In other words, the new interventionists reject the idea of a self-starting and self-sustaining societal system able to operate without central control and direction by social democratic governments. This implies belief in a societal system that is continually out of control and in need of constant re-direction and regulation by governments advised or led by social democrat "experts". We are told:

The intellectual challenge for social democrats is not just to repudiate the neo-liberal extremism that has landed us in this mess, but to advance the case that the social democratic state offers the best guarantee of preserving the productive capacity of properly regulated competitive markets, while ensuring that *government* is the regulator, that *government* is the funder or provider of public goods and that *government* offsets the inevitable inequalities of the market with a commitment to fairness to all. (Rudd 2009: 21)

Certainly the new interventionists are confident of their ability to reform and redirect the economy. They claim that:

Social-democratic governments face the continuing challenge of *harnessing* the power of the market to increase innovation, investment and productivity growth – while combining this with an effective regularity framework which *manages* risk, *corrects* market failures, funds and *provides* public goods, and *pursues* social equity. (Rudd 2009: 25. My emphasis.)

Clearly the new interventionists intend to break and ride the economy like a wild stallion! In this wild-west manner they intend to "save the system of open markets from self-destruction" and "also to rebuild confidence in properly regulated markets". Triumphant they suggest that "perhaps this new regime will come to be called 'social capitalism' or 'social democratic capitalism'" (Rudd 2009: 29). Perhaps instead it will come to be called the "new interventionism".

There are just two things wrong with the new interventionist interpretation and agenda. First, if there is no self-starting and self-sustaining system underlying human society, how do they explain the viability and progressive nature of human society over the thousands of years prior to the emergence of "social democracy"? And second, how is it possible for social democrats to direct and regulate sophisticated contemporary societies if their leaders and tame "experts" have no idea how the underlying dynamic life-system operates. Just ask the leading "social democrats", or any of their "expert" advisors, to explain their general dynamic theory of human society. They can't, because they don't have one. Instead they lamely fall back on *static* Keynesian theory that was ineffective in the face of the Great Depression (ie the New Deal) – the very crisis that led to its emergence.

The new interventionists also fail to understand the real problem with neoliberalism. They claim that the lethal legacy of neoliberalism is its advocacy of "the unrestrained free market", which in the 1980s under Reagan and Thatcher led to

policies that were “anti-tax, anti-regulation, and anti-government” (Rudd 2009: 22). It was the failure to regulate leading economies in the last quarter of the twentieth century that led to the emergence of “extreme capitalism” and “epic corporate greed”, which in turn created the financial crisis of 2008-09, that now threatens global meltdown.

This, however, is to miss the real point. The flaw in the policies of governments accused of being neoliberal, was not that they emphasised deregulation but rather that they were fundamentally interventionist. Since the 1980s, the so-called neoliberal governments of the Western world have in fact intervened in their economies in the most fundamental and critical way possible. They have, as we have seen, persistently attacked and undermined the core dynamic mechanism of the dynamic life-system, which I call the strategic demand-response mechanism. And they have done this through systematic and unrelenting policies of inflation targeting. Even born-again social democrats, such as the Australian Prime Minister Kevin Rudd, have been and, as far as one can tell, still are advocates of inflation targeting.

The telling point is that both my dynamic-strategy theory and the empirical studies I have undertaken (which gave rise to the “growth-inflation curve”) show that inflation targeting cripples the core dynamic mechanism thereby causing a breakdown in economic growth and a rise in unemployment in the longer term. These calculations and predictions were made as long as twelve years ago. We are now seeing the slowdown in economic growth and rise in unemployment that was predicted by my general dynamic theory in the mid 1990s. The current problems have little to do with the ephemeral financial crisis and much to do with fundamental intervention by so-called neoliberal governments. The social democrats want to maintain this form of intervention and to extend their meddling into other aspects of the economy. Yet, even this is merely preparation for the massive government intervention that will be required to launch a comprehensive programme of climate mitigation to which these administrations have committed themselves. Currently the new interventionists appear to be in the process of becoming the new global crisis makers.

One final comment can be made about the programme of the new interventionists. Social democrat theorists have made a critical error in assuming that ideas drive and shape human society. They claim, as we have seen, that the current “crisis” is the outcome of “free market fundamentalism” and that its solution will be the outcome of social democrat philosophy. In fact, these ideas, both neoliberal and social democrat, are the outcome of prevailing economic conditions rather than their cause. When economies are growing rapidly the free-marketeers grow in confidence, influence, and status, but when the economy falters their confidence falls, they lose prestige, and the socialists re-emerge from their long slumbers. Even the lunatic fringe can now be heard singing the praises and relevance of Karl Marx and his totally flawed and discredited metaphysical philosophy (Snooks 1998a: 49–59). The reality, as demonstrated by the dynamic-strategy theory, is that desires drive and ideas merely facilitate (at best) and rationalise (at worst). But underlying all ideologies is the urge to intervene, whether the prevailing philosophy is neoliberal or socialist. And fundamentally this urge is materialist in nature.

Strategic leadership – a lost art

Throughout the history of human society a close relationship has existed between the dynamic strategists and their leaders. It is a relationship essential to the prosperity of nations and civilisations. But it is a relationship that has broken down during the last quarter of the twentieth century. By the 1980s, governments of the Western world had transformed themselves from strategic leaders into potential crisis makers, owing to their adoption of the irrational policy of inflation targeting; and by the end of the first decade of the twenty-first century they find themselves on the edge of the abyss of new interventionism. The following analysis is based on the application of a general dynamic theory – the dynamic-strategy theory – that is developed in a series of books (Snooks 1996; 1997; 1998a; 1998b; 2000; 2006) and briefly summarised in a recent paper on the so-called financial “crisis” (Snooks 2008d).

Strategic leadership is essential to the survival and prosperity of human society. It was the primary reason for the emergence of government at the dawn of human civilisation and for its extension and maintenance ever since. The nature of strategic leadership will become clearer when we review the way it has worked throughout human history. Basically it involves facilitating the objectives of society’s dynamic strategists. This is achieved by coordinating the efforts of strategists, directly through government support, and indirectly through cultural institutions such as religion, ideology, and the arts. In particular – as stated earlier – the state provides basic infrastructure that is beyond the financial resources of individuals and corporations, it negotiates political and economic deals with other societies, it protects the dynamic strategy at home and abroad, it encourages the emergence of new strategies during recession/depressions, and it provides basic facilities for the education, training, and research required to nourish the modern technological strategy. This is a proactive rather than a passive role, and it is provided by representatives of the strategists for the benefit of the strategists. To achieve this, successful strategic leaders listen carefully to what the strategists think they need to achieve their objectives, rather than imposing arbitrary economic agenda.

It is important to realise that the strategists do not necessarily encompass the entire population of a society. They include only those individuals who invest, either in physical or human capital terms, in the dominant dynamic strategy. The proportion of the population that can be classified among the strategists has varied throughout human history, not in a linear but in a circular way. In palaeolithic society, almost all adult members were involved in the family-multiplication strategy, with the result that the proportion of the population in the strategist category approached one hundred per cent. Hence, tribal leaders needed to take into consideration the aspirations of all adults. By contrast, in neolithic society, only a small proportion of the population was actively involved in the strategic pursuit owing to the economic monopoly of the ruling elite. This proportion ranged from less than one per cent in societies based on dependent agriculture (lords and slaves/serfs) to about one-quarter in mercantile societies. Only in advanced technological societies has the strategists/population ratio once more approached that of hunter-gatherer societies. And because all the citizens of modern society are strategists, strategic leadership is vitally concerned with issues of social welfare, equality, and fairness. The forces underlying these sociopolitical changes are examined in the rest of this section.

Strategic leadership in history

The style of strategic leadership is determined by the prevailing dynamic strategy and by the stage reached in its unfolding process. As shown in *The Dynamic Society* (Snooks 1996), there have been four different types of human society over the past two million years: the nomadic society, the conquest society, the commerce society, and the technological society. The dynamic strategies that shape these different societies are outcomes of the prevailing technological era. The family-multiplication strategy of procreation and migration that underlies the nomadic society was the dominant dynamic strategy of the palaeolithic technological paradigm (2 million years to 11,000 years before present); conquest and commerce were the dominant strategies of the neolithic technological paradigm of agricultural societies (11,000 years BP to the mid-eighteenth century); and technological change is the dominant dynamic strategy of the modern industrial technological paradigm (mid-eighteenth century to present).

Palaeolithic society

In the palaeolithic technological era, hunter-gatherers struggled to survive and prosper by increasing family size in order to bring more land resources under family control, thereby maximising the exploitation of animal and plant species. Sometimes this involved dispossessing and destroying less advanced humanoid species, such as Neanderthal man in Europe, and sometimes taking up virgin territory, such as Australia some 60,000 (or more) years ago and North America at least 15,000 years ago. In this way modern man circled the globe. But, in order to achieve their material objectives, these hunter-gatherers looked to family and tribal heads to provide strategic leadership.

An important aspect of this leadership was the wisdom that came with experience. Accordingly the young men looked to family and tribal elders to provide the guidance needed in this technologically primitive world in order to survive and prosper. The relationship between leaders and other strategists in the family/tribe was close. Tribal leaders did not misunderstand their role as strategic leaders, because it led quickly to failure and death not only of the strategists but also of the confused leader.

The success of the relationship between strategists and their leaders in palaeolithic society can be seen reflected in the survival of Aboriginal society in Australia for more than 60,000 years before it was destroyed by Britain, the pioneering technological society. By contrast, after little more than two centuries the technological society in Australia stands at the crossroads, as it does throughout the Western world, owing to the lost art of strategic leadership. For tens of thousands of years Aboriginal society never lost sight of the role of strategic leadership, as modern society has done in the past few decades.

Neolithic society

The neolithic world was populated by a large number of highly competitive societies, all struggling to survive and prosper through the pursuit of either the conquest or commerce strategies. While conquest was the normal dynamic strategy in this era, a

favoured few societies were able to prosper by following the less exacting strategy of commerce. The very different requirements of these two strategies generated distinctly different societies in terms not only of their economic and political structures, but also of their social and cultural characteristics. As I show in *The Ephemeral Civilisation* (Snooks 1997), conquest societies followed a darker, more chaotic spirit, whereas commerce societies pursued the beauty of order and reason. To illustrate the different leader/strategist relationship in these entirely different societies, I will briefly outline the rise and fall of the Roman conquest society (800 BC – AD 476) and the medieval Venetian commerce society (810–1797).

Rome

Considerable misunderstanding exists about the nature of the conquest society. Instead of viewing systematic warfare as an integral part of the ancient economy, most scholars treat it as an irrational and entirely negative activity. In reality, conquest was the dominant sector of the ancient economy, and it fashioned the central institutions around which all other institutions revolved. War was the main means by which survival and prosperity were achieved in the pre-modern world. It was employed systematically to generate economic growth, something modern economists believe can only be generated by technological change. Rome is the best documented case of this type of society.

How did the Roman dynamic work? The conquest strategy was driven by a small group of enterprising decision makers, or dynamic strategists, who were determined to survive in the highly competitive Mediterranean world and, having survived, to maximise their material advantage. On their evaluation — determined by an intuitive benefit–cost approach — the best way of achieving this in a Mediterranean crowded out by aggressive commercial societies (the Greeks, Carthaginians, and Etruscans) was through conquest. The resulting conquest strategy, which Rome pursued relentlessly for a millennium, consisted of a number of substrategies: “tribal defence”, 800 to 509 BC; “break out from the Tiber Valley to the coastal regions”, 509 to 340 BC; “conquest of all Italy”, 340 to 264 BC; “taking the strategy overseas (Punic Wars)”, 264 to 201 BC; “turning to the east”, 201 to 146 BC; “expanding on all fronts”, 146 BC to AD 180; and, finally, “defending an exhausted strategy”, AD 180 to 476. The rise and fall of the Roman conquest strategy had taken almost 1,300 years to complete. Our own technological strategy has been in progress for only a fraction of that time.

While Rome was originally led by tribal kings elected from among a small warrior elite, its main rise and fall took place under the Republic (509 to 43 BC) and the Principate (43 BC to AD 476). In the Republic of Rome, the dynamic strategists were the senators, a land-owning, warrior aristocracy that grew in number from 300 to 900 over these five centuries. They were the leading members of the elite families of Rome that took the major share of the profits of conquest and translated them into a steady stream of income through the acquisition of land (like purchasing gilt-edged securities today). This elite was supported and supplemented by the equestrian class (*equites*), who were engaged in trade, business, tax farming, supplying war materials, and financing the political campaigns of the senators (e.g. Julius Caesar). Clearly the *equites* had a vested interest in supporting the conquest aims of the senatorial class.

Both the state, and the elite that it represented, invested in the conquest strategy in the expectation of generating supernormal profits. The Republican state invested in military expeditions, military transport and communication networks, and in an imperial bureaucracy. It did this to facilitate the objectives of the leading families of Rome, because a conquest/imperial infrastructure could not be provided by individual families, particularly when Roman armies began operating outside Italy. Nevertheless, the warrior elite invested as heavily as their resources would allow in military and imperial skills, fame as a warrior, lobbying to attain military command and high political office, and even in military campaigns.

The return on this conquest investment was high, with the Roman state extracting plunder and taxation from the conquered provinces, and the strategists grabbing booty from military campaigns and high profits from imperial office. Even the common people supported the conquest strategy because they too had much to gain both as soldiers and citizens: as soldiers they shared in the spoils of war, which in some cases transformed their lives (like winning the lottery today); and as citizens they lived tax free and enjoyed subsidised consumption of necessities and of entertainment (as at the Colosseum from AD 80).

The Roman Senate was, in effect, a corporation with a form of limited liability and institutional longevity, as the risks were shared by the leading families of Rome and were underwritten by the larger, business oriented, equestrian class. Not surprisingly, therefore, the Republican Senate provided effective strategic leadership. As it directly represented the elite military/landowning class, it never lost sight of the strategy of Rome or of its role in leading that strategy.

Why then did control of Rome's conquest strategy pass from the Senate to an autocrat after 30 BC? Essentially because of the changing requirements — the changing strategic demand — of the conquest strategy. As the Roman dynamic strategy unfolded, the very scale of the conquest expeditions, that increased in proportion to the length of the Empire's frontier (geometrically rather than arithmetically), made it necessary to place immense power for prolonged periods in the hands of a few great military men such as Pompey the Great and Julius Caesar. Pompey was given greater power than former generals of the Republic in order to clear pirates from the eastern Mediterranean, and Caesar was given command over a large army for a decade in order to conquer Gaul. As these great military commanders were faced in Rome by men merely trained and experienced in law, politics, and administration — men who did not command the respect of professional armies — there was little to stop them when they demanded absolute power over the conquest strategy and, hence, over Rome.

It was the unfolding conquest strategy, therefore, that led to the civil wars of the late Republic (the first century BC). Those wars were an acting out of the strategic struggle between the Senate and its great generals — a struggle between Sulla and Marius, Pompey and Caesar, Brutus/Cassius and Octavius/Anthony, and, finally, between Octavius (by then called Octavian and, later, Augustus) and Anthony/Cleopatra. If Rome was to continue to expand and grow richer there could be but one final outcome of these civil wars — the transformation of the Republic into an autocracy by the victorious general. By the beginning of the first century BC the conquest strategy had reached a stage beyond which it could continue to unfold only if new campaigns could be conducted on a massive and sustained scale, which was

beyond the scope of the Republican Senate. Only a highly centralised system could mobilise the resources required. This solution finally occurred towards the end of the second century AD.

By 30 BC, control of Rome's conquest strategy was firmly in the hands of an autocrat, the emperor Augustus, who invited the surviving ruling families (which he had ruthlessly purged) to participate, in effect, as non-voting shareholders. In this way Augustus eliminated the former counterproductive competition between members of the aristocracy. As head of the Roman army, the emperor became the supreme dynamic strategist and, hence, a god worshipped by all strategists. In the Republic, where strategic leadership was shared equally among members of the warrior elite, their pantheon of gods was external to Roman society.

Yet in one essential matter there was continuity. Strategic leaders in Rome, both before and after the civil wars, used cultural institutions, such as religion, the arts, and the games, to help reinforce the conquest strategy in their society. These cultural activities were essential because they involved all the population, even the nonstrategists (merchants, businessmen, workers) in Rome's conquest strategy. And, as I show in *The Ephemeral Civilisation* (Snooks 1997), these cultural institutions embodied and carried forward the spirit of conquest. Only when the conquest strategy had been exhausted, around AD 180, were the Roman gods of war replaced by the Christian god who, it was thought, had helped Constantine gain absolute power.

Also, until the Roman dynamic strategy had been exhausted, the relationship between leader and strategist was both close and mutually profitable. The Romans never forgot the essential role of strategic leadership and, therefore, never required the services of economic "experts" (Snooks 1993: 98–100). Indeed there were no economic treatises in the Roman world to lead strategic leaders astray. Rome declined not because its strategists and strategic leaders failed, but because they were remarkably successful and ultimately exhausted their dynamic strategy of conquest.

Venice

Commerce societies existed in the neolithic era just beyond the reach, either in space or time, of great conquest empires. There was no scope for coexistence, as commerce societies were irresistible to conquest predators. As history shows, Assyria harried Phoenicia; Rome crushed Carthage and enslaved Egypt; Macedonia overwhelmed the Greeks, finally swept away the Phoenicians, and ruled Egypt; and the Napoleonic Empire extinguished the Republic of Venice. Yet, while they flourished, these commerce societies, which sought the beauty of order and reason rather than the chaos of a darker imagination, made a contribution to the culture of human civilisation that was not surpassed until the emergence of the technological strategy of the modern era. To illustrate the role of strategic leadership in the commerce society, I will focus on the rise and fall of medieval Venice.

Just as the commerce strategy adopted by the city-states of ancient Greece led to a golden age of cultural and political attainment in the classical world, the same strategy employed by the north Italian city-states of the medieval and early-modern world led to the classical revival known as the Renaissance. This cultural flowering was not a coincidence. In both cases it was an outcome of strategic demand generated by the economic dynamic of commerce. Venice played an important role in these

developments because, for the six centuries following the First Crusade of 1095, it was the leading commerce society in Europe. And as its commerce strategy unfolded, Venetian sociopolitical institutions flourished under the driving influence of strategic demand.

Venice is the most successful example of the “pure” commerce society. Because they had no land resources, the Venetians were engaged in trade right from the very beginning — from the late sixth century AD when Roman families on the mainland were forced into the lagoons at the head of the Adriatic Sea by the invading Lombards. To survive, these peoples had to trade the sea resources of salt and fish for grain and other foods from the mainland. But the Venetians were able to turn their poverty of resources into a major asset, because they commanded the gateway to trade between Europe and the Orient.

As the inhabitants of the lagoons grew in number and maritime power, they were able to transform their primitive trading activities into a commerce strategy that generated supernormal profits owing to their monopoly over key trading routes. This was achieved in three distinct stages. The first of these occupied the four centuries prior to the First Crusade (1095), when Venetian boatmen traded goods through the lagoons and along the rivers of northern Italy. As their trade expanded, the Venetians carried – in addition to their harvest of the seas – spices, silks, incense, and slaves brought to Venice by Greek traders from the Levant. The second stage in Venice’s commerce strategy, involved extending its trading control throughout the Adriatic by clearing the region of pirates and of rival fleets operating from the mainland of Italy and Dalmatia (modern Yugoslavia). This was accomplished during the tenth and eleventh centuries, when the Adriatic became the Venetian ‘lake’, giving access to the surrounding lands as well as to key trading routes.

Stage three involved a break out from the Adriatic into the rest of the Mediterranean. This was achieved by negotiating trading privileges in the Byzantine Empire in 1082, and by exploiting trading opportunities in the Levant made possible by the Crusades. The most remarkable of the Crusades was the Fourth in 1203, which was skilfully diverted by Venice in order to do what the Turks had failed to do, namely to sack the Christian city of Constantinople and dismember the Byzantine Empire. In the process, Venice acquired three-eighths not only of the imperial city but also of the entire empire. In the ancient world one had to be wary of Greeks bearing gifts, but in the medieval world it was necessary to defend oneself against Venetians on holy business. With this acquisition of trading posts and colonies throughout Romania (the old Byzantine Empire), the Republic was able to dominate Mediterranean trade between Europe and the Levant. For a further century, Venetian commerce flourished.

But by the mid-fourteenth century Venice’s commerce strategy was approaching exhaustion owing to the advance of Islamic forces in the east and of Aragon’s and, later, Spain’s forces in the west. Declining commercial opportunities led Venice into conflict with its main rival Genoa in the 1350s and again in the 1370s, and also to experiments with the new dynamic strategy of conquest in northern Italy during the fifteenth century. While Venice defeated Genoa at sea, the conquest experiment on land almost ended in disaster in the early sixteenth century when a union of all Europe turned against a predatory Venice. This ended her dreams of plunder. With commerce exhausted and conquest in ruins, Venice had no strategic

future. From 1529, therefore, the Republic (like Rome after AD180) merely attempted to defend its past achievements through diplomacy, first with Europe in the west and, after 1718, with the Ottoman Empire in the east. But it was only a matter of time before the former glorious republic was swept away. The end finally came in 1797 at the hands of the last great Mediterranean conqueror, Napoleon Bonaparte.

At the time of their independence from the Byzantine Empire in AD1000, the Venetian commune consisted of about sixty small communities, or parties, that, subject to approval and supervision of the doge, elected their own chiefs (*capi di contrada*) from the wealthy local merchant families. A *capo* was responsible for raising taxes, organising naval service, and undertaking local police duties. The focus for this network of parishes was the central market place known as the Rialto, where the main inter-parish and international commerce was conducted. Later it became the centre of east-west trade between the Levant and the North Sea.

It is significant that the Rialto is connected by a short canal to the Piazza and Piazzetta — the central community squares in Venice — adjoining the Ducal Palace (residence of the doge) and the church of San Marco (not the cathedral of Venice but the splendid private chapel of the strategic leader). In turn the Piazzetta provides access to the Bacino di San Marco, where the larger ships moored. The close proximity of Venice's main dock, the Rialto, the Ducal Palace, and the doge's church symbolises the equally close relationship between the commerce strategy and the political and cultural institutions of the Republic. Venice had no doubt about the central role of strategic leadership.

Just as local officials were elected by parish assemblies, so the doge, in the beginning, was elected for life by acclamation of the General Assembly consisting of all the male inhabitants of the lagoons. While the doge in the tenth and eleventh centuries derived his authority from the entire community, in reality his election was controlled by the leading merchant families. And before the revolution of 1032, when the ruling Orseolo dynasty was overthrown by the leading merchant nobles, the doge was, in effect, a monarch for life with unlimited powers. In the early centuries following independence, therefore, Venice was a dukedom rather than a commune. After the revolution, however, the doge's powers were constrained by a council of elected merchant aristocrats. In this way the Venetian nobility, who built their grand houses around the Piazza to be near the seat of government — where the direction of the commerce strategy was decided — moved a step closer to a merchant oligarchy.

With the growing wealth and power of the leading noble families following the Venetian break out into the Mediterranean in the late eleventh century, this elite found it profitable to take control of the commerce strategy then still largely in the hands of the doge. For most of the twelfth century the Michiel family had occupied the Ducal Palace and had regularly ignored the advice of its merchant councils. The outcome was a break down in the essential relationship between its strategists and the leadership. The reaction that followed was predictable.

Following a disastrous primitive expedition against the Byzantine emperor led by the doge in 1172, which returned only with a decimating pestilence, the leading merchants deposed and assassinated Doge Vitale II Michiel. In future the doge would be elected directly from the ranks of the leading merchants, and he would never again be permitted to reject the advice of his peers. By this act, Venice became a merchant

oligarchy with a republican form of government that was required by a rapidly expanding commerce society. The essential relationship between leader and strategist was restored and effective strategic leadership was reintroduced. Without this revolution, Venetian society would have stagnated and, eventually, collapsed at a relatively early stage.

The determination of the merchant nobility to retain control of Venice's dynamic strategy is reflected also in its refusal to hand over administration of the commerce strategy to a central bureaucracy. Government strategic policy was the responsibility of small committees of three to six unpaid nobles elected by the Great Council and supervised by the governing council. In this way the strategists of Venice avoided the modern problem of bureaucratic "experts" hijacking the dynamic strategy. The Venetian Republic was to remain a benefit society solely for mercantile interests.

While the commerce strategy was unfolding, Venice's merchant oligarchy provided a flexible form of government that admitted wealthy merchants into the highest ruling councils. Only once the commerce strategy had been exhausted by the mid-fourteenth century did the existing ruling elite attempt to perpetuate their power and wealth by blocking new aspirants to the Great Council representing some 200 families, with just 30 of these exercising effective power. On turning from commerce to conquest during the fifteenth century, the city-state was transformed into an imperial state with captured territories on the mainland of Italy and Dalmatia. And as this new strategy unfolded, the degree of democratisation achieved earlier was reversed. In particular, the General Assembly was abolished, the "commune" of Venice was dissolved, and the Great Council of some 2500 members ceded its power to the 300 strong Senate. Even the Senate was effectively controlled by the governing council, or Signoria, that included merely the doge and the nine leading members of the Senate steering committee. This concentration of political power and leadership is typical of a conquest society. It also needs to be emphasised that political (and other) institutions and organizations do not evolve, rather they are driven by strategic demand generated by the unfolding dynamic strategy.

After the failure of the Venetian conquest strategy, the political system was deserted by its bold, energetic, ambitious, and imaginative citizens and left in the hands of those seekers after empty status. Strategic leadership in Venice withered once its dynamic strategies had been exhausted, because a static society has no need of direction. The end was only a matter of time, and when it came the once glorious republic gave up without a struggle. In the end there was nothing worth fighting over.

Technological society

The ancients accepted the reality of the eternal recurrence. Accepted that even the greatest civilisations would eventually stagnate, collapse and phoenix-like, rise anew. The ruins of past civilisations were there for all to see. They did not even consider the possibility of breaking out of this endlessly repetitive pattern, because in the neolithic era there was no material incentive to do so. The fall of great conquest and commerce societies like Rome and Venice was inevitable. This is why we must consider the industrial technological society as entirely new.

Since the mid-eighteenth century, material incentives have favoured the pursuit of the technological strategy. This dynamic strategy has enabled modern

society to escape from the eternal recurrence of the rise and fall of civilization and, so far, to achieve sustained material progress. The dynamic pathway of the modern world is linear (but wave-like) rather than circular (and wave-like). Political institutions, therefore, no longer re-emerge from the ashes in familiar forms, but develop in entirely new ways.

But this continuous linear development must not be thought of as inevitable. If we persist in enforcing the self-destructive policy of inflation targeting and if we undertake massive expenditure programmes (for economic stabilisation and climate mitigation), modern society will return to the ancient dynamic process of eternal recurrence. To show how the West emerged from this ancient dynamic pattern, I will focus briefly on the first nation-state to successfully adopt the technological strategy (Great Britain), and on the first mega-state that took it to a logical conclusion (the United States). There is much truth in the old saying that if we fail to learn from the past we will be condemned to re-live it.

Great Britain

The rise of Western civilisation cannot be attributed to any single state. It was an outcome of the response of many societies throughout the world to a highly competitive physical and human environment that gradually exhausted the neolithic technological paradigm of the pre-modern world. The last phase of this process took the form of an intense interaction between the kingdoms of Western Europe and between them and their immediate neighbours.

For some seven centuries England/Great Britain struggled desperately with its neighbours for survival in the pressure-cooker circumstances of Western Europe. England was so transformed by this struggle that, early in the seventeenth century, it suddenly broke out of its immediate environment into all parts of the world to form the largest, most global empire the world has ever known. Yet this great empire was considerably more ephemeral than the greatest empires of the ancient world, such as Egypt and Rome. Within just three centuries the British Empire rose, flourished, basked in its own glory for a brief season, and then fell. While the ancients would have been impressed by the global scope of the British achievement, they would have been astounded, not so much by the rapidity of its fall, but by the unique fact that after the dust had settled, Great Britain still existed, with a viable society and a standard of living higher than that in the greatest days of empire. And still growing rapidly. For the first time in history a great empire had been able to downsize to its homeland without collapsing. Britain was able to succeed where Rome, Venice, and all the rest had failed. The British succeeded because they were able, fortuitously, to adopt the technological strategy.

Britain's development pathway between 1000 and 2009 AD took the form of three great liner waves, each of which was *about* 300 years in duration (Snooks 1997: Fig. 10.1, p.276). These "great waves", which surged forward during the periods 1000 to 1300, 1480 to 1750, and the 1760s to the twenty-first century, were generated by three very different dynamic strategies — conquest, commerce, and technological change. In turn, each of these dynamic strategies was composed of a series of substrategies that generated long waves of *about* 50 years. With the exhaustion of each dynamic strategy, Britain was fortunate enough to be able to replace it, albeit after a hiatus during which stagnation or decline was experienced, with an entirely

new dynamic strategy. In this way Britain managed to avoid the collapse that had occurred in all ancient societies. Yet, as I show in my global-history trilogy (Snooks1996; 1997; 1998a), this was due more to fortunate timing than to superior strategic skills.

The institutional vehicle for the conquest society in Western Europe was the nation-state, strategically directed by a hereditary monarchy. In this political system, England's dynamic strategists were the king and his great magnates, who struggled against each other for control of the conquest strategy and for all the rewards that it brought. The most famous of these struggles took place between the Angevin king called John (1199–1216) and his barons in the early thirteenth century, and between John's son Henry III (1216–1272) and his barons led by Simon de Montfort. The first of these struggles was largely an outcome of John's incompetent strategic leadership, which dramatically reduced, rather than increased, the wealth and income of his barons (or strategists). Despite the heavy, regular land taxes imposed by John to pay for his wars, the English king not only failed to capture additional territory in Europe, but actually lost all that they had previously held. It was this failure of strategic leadership that led the long-suffering barons to rebel and force their king to sign the Magna Carta in 1215.

The great charter was a document not about human rights as some might suppose, but about the material rights of a tiny fraction of the population. This ruling elite, both lay and ecclesiastical, insisted that the function of government was to facilitate the objectives of all those investing in the conquest strategy. It was a clear warning to any king who lacked the desire or ability to provide strategic leadership that he would be removed. Demonstration of this declaration was not long in coming. The expensive failure of Henry III's conquest strategy in Europe provoked a struggle with his barons led by Simon de Montfort between 1258 and 1265. Although Henry eventually eliminated the rebellious, and briefly successful, de Montfort, he was forced to accept the traditional role of strategic leadership — to facilitate the objectives of all strategists.

English kings financed conquest — an expensive and risky undertaking — by imposing taxes on the surplus generated by agriculture and, increasingly, on the growing profits of commerce. But to tax these growing commercial interests (largely in the production and trade of raw wool), English kings found it necessary to gain their formal approval by inviting their representatives to attend parliament at Westminster. In 1258 this included two “knights” (growers of wool) from each shire, and in 1265 a further two burgesses (wool merchants) from each of the main boroughs. At this time Parliament met in two chambers, the Commons (knights and burgesses) and the Lords (great magnates both lay and ecclesiastical).

From the mid-thirteenth century, therefore, the English monarch was only able to raise the funds required to finance the conquest strategy by taxing and consulting the emerging commercial interests. While the new political institution of Parliament (a place for “speaking”) was developed initially to serve the failing conquest strategy, in the late fourteenth and early fifteenth centuries it became the stage for a desperate struggle between the aristocratic supporters of the old conquest strategy on the one hand, and the middle-class supporters of the new commerce strategy on the other. This struggle was eventually resolved, but only through civil war, in favour of the supporters of commerce.

The major focus of the commerce society is the city. Owing to the extraordinary profits generated by the commerce strategy through its monopoly access to resources, commodities, and markets, its metropolis is able to achieve a size unimagined by neolithic societies relying solely on agriculture. Population is attracted to these centres of commerce by the spectacular growth of real income and wealth to be earned in urban trade, finance, and manufacturing. And as the commerce strategy unfolds, the metropolis becomes the centre of an overseas empire.

Within this institutional framework a great struggle took place in England from 1500 to 1750 between the supporters of the competing dynamic strategies of conquest and commerce. The outcome had critical implications for the nature of the political and economic system, not only of England but also of Europe and the world. Had the old feudal aristocracy won this struggle, then England, like France and Spain, would have turned once more to the conquest strategy, and the Industrial Revolution would have been delayed at great cost in terms of human life, prosperity, and liberty.

As conquest declined and commerce increased during the fifteenth century, the wealth of the new mercantile middle class grew in relation to that of the old warrior aristocracy. Hence, when the Tudor dynasty first came to power in 1485, it was to the new men of commerce, rather than to the old men of conquest, that they turned for support. Henry VII, who understood that survival meant supporting the new strategists, was the first English monarch to make the transition of leadership from a conquest to a commerce strategy. In a highly competitive world, the decision to lead the commerce strategy in England meant leading it in Western Europe. Elizabeth I embraced this role. Her war against Spain was not a war of conquest but a war in defence of the commerce strategy both at sea and on the continent of Europe. It was a war in support of the Netherlands — that other pioneering commerce society in Western Europe — against a powerful conquest nation. It was a war that had the financial support of England's commercial classes, because the victory of Spain would have snuffed out their dynamic strategy. Conquest and commerce societies cannot coexist.

Unlike the Tudors, the Stuart dynasty that followed failed to understand that England had been changed forever by the commercial expansion of the sixteenth century and that the monarch was expected by the middle classes to act as the leader of the commerce strategy. By refusing to call the Commons and by exploiting other sources of funds (customs; feudal revenues; fines; and the sale of honours, rights to collect taxes, and crown monopolies), the Stuarts were determined to abandon the strategic leadership of England. Charles I (1625–1649) refused not only to defend the commerce strategy in Europe, but even to provide English merchants with protection against their rivals overseas or against pirates in local waters. He refused, in his own words, to be 'a Doge of Venice', preferring instead to pursue dynastic wars in Scotland and Europe. When English merchants complained to the king about pirates in the Mediterranean, Charles told them dismissively: "Well, don't go there". It was this blunt refusal to provide strategic leadership that led to the English civil war (1642–1648) between king and commons.

Even when the Stuart dynasty was restored in 1660 after the death of Oliver Cromwell, they failed to appreciate that they were on trial and that their survival depended on providing effective leadership for the commerce strategy. Charles II (1660–1685) not only refused to act as protector of commerce in Europe, but

maintained close contacts with the conquest strategy of France. After a generation of frustration in the face of kingly intransigence, Parliament in 1688 called upon William of Orange, the effective ruler of the Dutch Republic and defender of the commerce strategy on the continent, to force James II (1685–1688) from the throne.

The change of monarchs in 1688 was called the ‘Glorious Revolution’, not because of English enthusiasm for the Dutch king but because at long last the middle classes had found a true leader and defender of their commerce strategy. To prove it, William III (1689–1702) and Mary II (1689–1694) immediately involved England in the War of the League of Augsburg against France from 1689 to 1697, and in the anti-French Wars of Spanish Succession from 1702 to 1713. And the Commons loved it. They readily agreed to the raising of heavy land taxes by which the long and expensive wars — much more expensive than the dynastic wars of the Stuarts — were financed. The important point is that these wars advanced England’s commerce strategy. When the house of Hanover accepted the English crown in 1714, it did so on Parliament’s terms. Never again would a British monarch misunderstand what was expected of him or her by the dynamic strategists. The Commons had finally created a monarchy in their own image.

The third and latest great wave of economic change in Britain, which began in the mid-eighteenth century, is being driven by the novel dynamic strategy of technological change. It is this strategy that has enabled Western Europe to break free from the eternal recurrence. It is this strategy that has generated the technological paradigm shift known popularly as the Industrial Revolution. By introducing the technological strategy, Britain was able to generate extraordinary profits from new products and new processes within its own borders. Industrial innovation replaced monopoly access to external resources and markets as the engine of growth. In this way Britain gained a competitive advantage over its neighbours and created a wealthy and powerful nation-state that no longer depended heavily on its overseas possessions. Empire was continued only in order to defend the technological strategy (through the balance of power concept — see *The Ephemeral Civilisation* [Snooks 1997: 294–300]), and only until the more economical nuclear deterrent was developed in the 1940s. After this the British Empire was quickly dismantled, with no adverse impact on the living standards of the British Isles.

As the technological strategy unfolded, a number of important institutional changes, driven by strategic demand, have taken place. These changes include the transition from a ‘limited’ to a ‘constitutional’ monarchy by which strategic leadership passed from king to Commons, and the emergence of universal suffrage, which placed control of the dynamic strategy in the hands of the entire British people. The struggle to achieve these changes has taken place in Parliament rather than on the battlefield, as in the mid-seventeenth century. The reasons for this are that all combatants gained from the unfolding technological strategy, and that new and effective leaders emerged in response to the demands of the new strategists.

As the Industrial Revolution took hold, the new strategists — the owners of industry who imitated the commercial gentry by purchasing old estates — increased their representation in Parliament. And as their numbers increased they struggled against the old gentrified commercial interests for control of the dynamic strategy in order to defend and increase their hold over the sources of their wealth. The main battle between these forces in Parliament raged over the Corn Law issue — whether

to impose high import duties on wheat — in the 1840s. The reason this issue did not lead to armed conflict is that the new technological strategy not only provided scope for the industrialists to earn extraordinary profits, but also enabled the more entrepreneurial commercial interests to rebuild their fortunes. With the new and cheaper products generated by the technological strategy, British merchants were able to make rapid inroads into overseas markets and, hence, to share in the extraordinary profits of the Industrial Revolution. Only the unenterprising and entrenched commercial gentry, who were able to offer little effective resistance, were finally swept away.

Even the working classes benefited from the technological strategy. While the initial stages of the Industrial Revolution were de-skilling, the unfolding technological strategy generated a growing demand for increasing numbers of semi-skilled and skilled factory workers. And as these workers began investing time and experience in learning these new skills (human capital) they became increasingly valuable to the industrialists and their real wages began to rise, particularly after 1830. The growing economic and political power of the workers is reflected in the emergence of skilled unions from the 1830s to the 1860s, of semi-skilled unions in the 1870s, of ‘unskilled’ (this is a misnomer — they actually invested in general education and factory skills) unions in the 1880s, and in the extension of the franchise to male householders between 1867 and 1884, to all males in 1918, and to all females in 1928.

In other words, despite the theories of Karl Marx and the rhetoric of the left wing of politics, the workers and the middle classes were not struggling against each other to achieve final victory for different and competing dynamic strategies. Rather they were and are co-strategists because both have a vested interest in the success of the industrial technological strategy. Both groups have much to lose from its failure. Of course there are differences, but these are confined to the distribution of the surplus generated by a common strategy. In all other respects the political representatives of both groups are called upon to provide the same type of strategic leadership. This is why there has never been, and will never be, a proletarian revolution in a viable “capitalist” society. This why during the Great War, workers fought alongside their “capitalist” countrymen rather than boycott the war in favour of international worker solidarity as the radical socialists wanted. The workers’ interests were national rather than international because they, like the “capitalists”, were concerned to defend their country’s dynamic strategy in which they had a vested material interest. There is no such thing as a global dynamic strategy because there are no global strategists. Marx and his followers were wrong because they had an unrealistic dynamic model of human society.

Most observers of England’s history over the past millennium have interpreted the succession of “feudalism”, “mercantile capitalism”, and “industrial capitalism” as a unidirectional and irreversible process. In the same way they regard the emergence of parliamentary democracy as an evolutionary process. Both conclusions are incorrect. The emergence of any one of these societal systems depends on the type of dynamic strategy adopted, which in turn depends on underlying changes in factor endowments together with the future capacity of the prevailing technological paradigm. The conquest → commerce → technological sequence of Britain was historically unique and only occurred, as I show in my global-history trilogy, because the exhaustion of the commerce strategy coincided with the exhaustion of the global

neolithic paradigm. In earlier societies, such as ancient Greece or medieval Venice, the strategic sequence was the more typical conquest → commerce → conquest, which led their sociopolitical structures and the process of democratisation to turn back on themselves. And the nature of strategic leadership, as we have seen, closely followed the demands of the strategists.

The United States of America

In the Old World the vehicle of technological change was the nation-state, whereas in the New World the dynamic strategists discovered that they could compete effectively with Western Europe and earn supernormal profits by creating a mega-state. This is the key to understanding the economic, political, and social development of the United States. Had it been possible for the founding colonies of North America to generate supernormal profits by employing the nation-state as a strategic vehicle, the mega-state would not have been created. Instead, North America would have consisted of a large number of nation-states in imitation of Western Europe. The civil war of the early 1860s, I argue, was fought on this issue.

The mega-state of North America was formed through the adoption, unfolding, and replacement of a number of dynamic strategies originating in the seventeenth century. These strategies include the participation of the American colonies in the British commerce strategy until the 1760s — what I call the dependent-commerce strategy — the family-multiplication strategy that drove America's westward expansion for the century before 1890, and the technological strategy that emerged after 1870 and developed exponentially to become the dominant dynamic strategy from the 1890s.

The pursuit of these strategies transformed a handful of small settlements on the east coast of North America at the beginning of the seventeenth century into a mega-state occupying the entire continent between (approximately) the 30th and 45th parallels at the end of the nineteenth century. In this way the United States surpassed Britain in terms of living standards by the end of the First World War, and went on to lead the world in pushing back the global technological frontier in the generation after the Second World War. This was only achieved, however, because of the close relationship between American leaders and the nation's dynamic strategists — because of the adoption of strategic leadership.

The driving force behind the United States' economic growth and sociopolitical change was the unfolding strategic sequence of dependent-commerce → family-multiplication → technological change. Of these, the first was a spin-off from the English commerce strategy examined above, which was responsible for planting the initial and most successful colonies on the east coast of North America. Once these colonies had been successfully established, in order to serve the commercial interests of the mother country, local entrepreneurs participated in the English strategy as junior players. While they derived benefits from English investment, markets, and security, they were constrained by overall objectives formulated in and administered from London. They had no say in English policy-making. Indeed, English strategic leadership took little notice of colonial strategists.

America's dependent-commerce strategy came to an end in the last quarter of the eighteenth century when the colonists successfully rebelled against the mother

country. The fundamental reason for this rebellion, which was first propounded in *The Ephemeral Civilisation* (Snooks 1997), was Britain's refusal to provide American strategists with the strategic leadership they demanded. In other words, the revolution was an outcome of the clash between two competing dynamic strategies. Although the birth and development of the American colonies in the seventeenth and early eighteenth centuries was the direct outcome of the English/British commerce strategy, an alternative dynamic strategy, this one American-born, began to emerge in the mid-eighteenth century. This new dynamic was the American family-multiplication strategy, which involved the settlement of new land through the process of new family-formation, initially through high fertility rates and, after 1812, through massive immigration. It was this dynamic that powered the great westward movement of the American frontier and fed the growing industrialisation of the north-east.

But Britain, which pursued a sea-based rather than a land-based dynamic strategy, attempted to block this western expansion through a series of proclamations in 1763, 1768, and 1774, with the intention of restricting settlement to the eastern seaboard. As I show in *The Ephemeral Civilisation* (Snooks 1997: 369–72), it was this struggle over strategic leadership rather than the irritating taxation imposts of the British that led to the American War of Independence (1775–1783). By winning this war, at a cost that greatly exceeded the value of British imposts over the lifetime of the revolutionaries, the Americans gained control of their own dynamic strategy and of the immensely rich rewards that it promised over their, and many future, lifetimes. And these rewards were realised, but only because the new American government provided effective strategic leadership. They did this by financing the exploration of the continent (Lewis and Clark 1803–06); by extending the borders of American society by purchasing Louisiana from Napoleon Bonaparte in 1803, by taking Texas and the south-west from Mexico in 1845 and 1848, by acquiring Oregon Territory in 1846, and by purchasing Arizona from Mexico in 1853; by making this land cheaply available to the rush of new immigrants; and by heavily subsidising transport and communications that integrated this vast land mass into a viable mega-market.

The American civil war (1861–1865) was, I argue in *The Ephemeral Civilisation* (Snooks 1997: 381–84), also a struggle for control over America's dynamic strategy, this time by two very different groups of American strategists. By the mid-nineteenth century the North had, for about two generations, pursued a technological strategy linked to the expansion of the domestic mega-market. They were more highly urbanised and industrialised, paid higher wages, and wanted to impose high tariffs to exclude British manufactured goods. In contrast, the South was locked into a dependent-commerce strategy, by which they supplied raw cotton to feed British industrialisation; it consisted of a collection of rural societies based on slave labour; and it rejected protective tariffs because these only increased the cost of importing manufactured goods from Britain and the North.

Owing to these competing strategies, the North and the South possessed fundamentally different attitudes to the future political structure of North America. The North was committed to the concept of union, but only because its dynamic strategy required the development of a large and highly integrated market. As any fragmentation of that market would threaten their supernormal profit making, the strategists of the North were determined to preserve the Union at all costs. The North,

in other words, was irrevocably committed to the idea of the North American mega-market.

The South did not share this commitment. While Southern strategists were keen to participate in the westward expansion, because of the supernormal profits that could be made by exploiting the new land through farming or breeding slaves — the very reason they fought in the War of Independence — the longrun progress of the South depended more on its economic relationship with Britain than with the rest of America. The South, therefore, was equally determined to pursue its dependent-commerce strategy, even as a separate country (or countries) if the costs of remaining in the Union rose to unacceptable levels. They favoured the concept of the nation-state as in Europe, rather than the mega-state relentlessly pursued by the North.

The real source of conflict between the North and the South, therefore, was not the ‘moral’ issue of slavery as conventional wisdom tells us, but the fundamentally different and conflicting dynamic strategies to which they were totally committed. Slavery was merely the most obvious manifestation of this more fundamental economic difference. While the North rationalised its materialistic pursuit by raising the moral issue of the freedom and dignity of all humans — and there was a small minority that believed this passionately — they would not and did not, go to war over a moral issue. Similarly the South did not go to war to evangelise their system based on slavery. As the historical record clearly shows, the existence of slavery in the South was not even challenged by the North in the events that led up to the civil war. That came later as the North attempted to attract others, particularly in Europe, to its cause. The outbreak of war emerged from the determination of the North to prevent the fragmentation of their growing mega-market and was continued, despite the enormous cost in lives (600,000 men) and infrastructure, by both sides to protect and enhance their incompatible dynamic strategies. The civil war, therefore, was all about the future of strategic leadership in America.

With the victory of the North, the industrialisation of the United States could proceed apace. Before 1860, rapid industrial development had occurred, but it was restricted by the size of the domestic market and had largely followed the path laid down by the European Industrial Revolution. Only after the civil war had been won were the northern industrialists able to fully exploit the American mega-market and, in the process, to make their own contribution to the modern technological strategy. This contribution was the mass-production and mass-distribution of standardised manufactured commodities. In this they were assisted by governments that understood the importance of strategic leadership. In particular these governments subsidised the building of railroads ahead of demand: in 1860 the United States had only 30,000 miles of railroad, but by 1914 this had increased by a factor of eight to a total of 250,000 miles. The focus of economic leadership, therefore, was on strategic infrastructure.

American prosperity increased rapidly between 1870 and 1914, resulting in a doubling of real living standards, and only came to an end in the mid 1920s when the domestic mega-market was finally saturated with locally-manufactured products. As argued earlier, it was the exhaustion of this technological substrategy that led to the Great Depression, the duration of which was an outcome of the time taken for American strategists to reorient their industrialisation program towards the world market. This event also demonstrated how governments could panic and lose the plot

by listening to economic “experts” and forgetting their role as strategic leaders. History is in the act of repeating itself today with the so-called “financial crisis” and “economic meltdown”.

Once the United States had in the 1940s discovered its new substrategy as workshop to the world, it was possible to resume its former rapid growth. With this strategic re-orientation, the United States overcame its former political isolationism (a product of its earlier inward-looking substrategy) and took up the global leadership of the technological strategy that had formerly been provided by Britain. It was this leadership role that created the “golden age” of the 1950s and 1960s, and that brought the United States into cold-war confrontation with the USSR as leader of the antistrategic world. But this was only possible because the US government began listening to the strategists again and, thereby, rediscovering their strategic-leadership role.

Unfortunately, since the 1980s, US governments, like those throughout the Western world, have lost the art of strategic leadership. Increasingly they have looked to economic “experts”, rather than to strategists, to tell them how to govern. This has led to the adoption of policies like inflation targeting that undermine both the strategists and the operation of the dynamic life-system, with the predictable outcome of a slow-down in economic growth and a rise in unemployment. This curious policy is driven by metaphysical rather than strategic considerations. The most recent response to this *strategic* crisis, by the newly elected president Barack Obama, has been to massively increase the degree of intervention in the financial and industrial (motor) sectors and to initiate a huge (\$US 787 billion) Keynesian expenditure programme (which he hoped would be even larger). What is actually required in this strategic crisis is the final abandonment of inflation targeting, a rejection of calls to interfere with the dynamic life-system, and the initiation of a long-term programme of investment in the strategic infrastructure required to successfully launch the next great technological paradigm shift or economic revolution (Snooks 1996: ch 13; 2009). Failure to rediscover strategic leadership will lead in the short run to a “rebellion” of American strategists and the replacement of antistrategic administrations, and in the long run to the USA becoming a loser in the race to lead the next great technological revolution.

From this survey of strategic leadership over the past three millennia, it is clear that there has always been a close relationship between a society’s leader and its strategists. In successful societies, leaders able and willing to serve the interests of their dynamic strategists have always emerged in response to strategic demand. But whenever a political leader has been unable to provide strategic leadership a crisis has developed and he has been swept away. And there have always been alternative leaders ready and able to fill the void. Had those alternatives not been available, the prevailing dynamic strategy would have collapsed and, in a competitive world, the society in question would have been absorbed by more successful societies. Unless contemporary society can revive its enthusiasm for strategic leadership, and reject the interventionist advice of metaphysical “experts” in both the social and natural sciences, this will be our fate also.

Conclusion

The greatest threat to human society is not corporate “greed” or the various rationalising philosophies of political parties, it is the unquenchable materialist urge to intervene in the working of the dynamic life-system despite not understanding the way it operates. As we have seen, all political groups, whatever their rationalising philosophies, are determined to pursue the destructive policy of inflation targeting. The new interventionists even want to add to this by extending intervention so as to control the financial sector as well as various failing industries, and to undertake hugely expensive, yet largely ineffective, Keynesian policies. In the process, modern governments have lost sight of the traditional government role of providing strategic leadership – of facilitating the need of the dynamic strategists who are driving the strategic pursuit that has always enabled human society to survive and prosper. Contemporary governments have decided to follow the advice of metaphysical “experts” rather than respond to the needs of the strategists.

Finally I want to suggest that this new interventionism is only the beginning of global interference on a massively unprecedented scale. It is only a rehearsal for the big event – climate mitigation. Without wanting to deny the existence of climate change, a large-scale programme of climate mitigation will constitute the greatest interference with the working of the global dynamic life-system in the history of humanity. The resulting disruption arising from this future intervention could be something from which we will never recover (Snooks 2009). The new global crisis makers are on the march and it will take great determination to stop them. A clear understanding of what is happening is the first step in that great campaign.

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16th February 2009

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